

BOARD OF GOVERNORS

August 7, 2003

SUBJECT: A Resolution of the Board of Governors Approving the Financing of the Construction of a Portion of a Genetics and Cancer Research Facility on the Campus of the University of Florida and Approving the Issuance by the University of Florida Research Foundation, Inc., of Capital Improvement Bonds Not to Exceed \$35,000,000.

UNIVERSITY AFFECTED: University of Florida

PROPOSED BOARD ACTION

Approve the financing plan and adopt a resolution authorizing the issuance of variable rate, tax-exempt revenue bonds by the University of Florida Research Foundation, Inc., a direct support organization of the University of Florida, in an amount not to exceed \$35,000,000 to finance a portion of the cost of construction of a Genetics and Cancer Research Center on the University of Florida, main campus. Authorize the Chair, the Vice Chair, the Chief Financial Officer and other authorized representatives of the Board of Governors to execute the necessary contractual documents related to the financing of the project.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Section 11, Chapter 2002-394, Laws of Florida, Section 9 and Section 11, Conference Committee Bill, 2003A, Section 1010.60(2), Florida Statutes, and Article IX, Section 7(D), Florida Constitution.

BACKGROUND INFORMATION

On May 24, 2001, the Board of Regents approved a resolution authorizing the Research Foundation's issuance of tax-exempt revenue bonds in an amount not to exceed \$100,000,000 for purposes of financing the construction of a genetics and cancer research center on the University of Florida, main campus. As a result of the reorganization of the state university system and the time that has elapsed since the original resolution was approved, it is necessary for the Board of Governors to reauthorize the bond financing.

The University of Florida Research Foundation has submitted a proposal to issue up to \$35,000,000 in revenue bonds to fund a portion of the Genetics and Cancer Research Center. The project received legislative approval in 2002 and is reauthorized in the 2003A Conference Committee Bill. This project is currently budgeted for \$83,793,978 with a portion of the funding to be provided from PECO and/or UF Research Foundation funds, and the construction phase is expected to start November, 2003.

The University of Florida Research Foundation, Inc. plans to use a private bond attorney in preparation to issue variable rate revenue bonds. The Genetics and Cancer Research Center Building is expected to have 283,206 gross square feet, providing 165,805 net assignable square feet to house the research, training and administrative operations of the University of Florida Genetics and Cancer Research Center, a biomedical research facility.

The proposed bond issue is to be secured by a pledge of income from royalties and licensing fees. Historical revenues indicate that debt service coverage is feasible. If the pledged revenue is not sufficient to pay debt service, it is the University's plan to move some expenses of the Research Foundation to the University's Sponsored Research Development Trust Fund. At present, a majority of grant overhead monies are retained within the UF Sponsored Research and Development Trust Fund.

The University of Florida Board of Trustees at its meeting held March 28, 2003, and the University of Florida Research Foundation, Inc., at its meeting held April 18, 2003, approved the proposed financing for the project.

Supporting Documentation Included: Requesting Resolution
Project Summary
Financial Plan

Facilitator/Presenter: Raymond Monteleone

BOARD OF GOVERNORS
Project Summary
University of Florida, Main Campus
Genetics and Cancer Research Facility

Project Type:

On May 24, 2001, the Board of Regents approved a resolution authorizing the University of Florida Research Foundation, Inc., to issue tax-exempt revenue bonds in an amount not to exceed \$100,000,000 for purposes of financing the construction of a genetics and cancer research center on the University of Florida, main campus. As a result of the reorganization of the state university system and the time that has elapsed since the original resolution was approved, it is necessary for the Board of Governors to reauthorize the bond financing.

The previously designed program included a 325,000 gross square feet facility, providing 197,000 net assignable square feet, and the revised program reports a reduced total project of 283,206 gross square feet, and providing 165,805 net assignable square feet. The project will be composed of two components, will be constructed concurrently to realize maximum cost savings, but will be built as two separate projects for accounting purposes to maintain the integrity of the different funds.

The proposed Genetics and Cancer Research Center will be a multi-disciplinary biomedical research facility with a total of 258,738 gross square feet, and provide 149,282 of net assignable square feet. The proposed facility will provide the necessary space to increase the level of funded grant research, and will also provide efficiencies in operation through the consolidation of the core research support facilities. The total proposed project cost of the Genetics and Cancer Center is \$77,293,978.

The proposed Interdisciplinary Center for Biotechnology Research (ICBR) is programmed to be a 24,468 gross square feet facility, with 16,523 of net assignable square feet. The facility will allow the ICBR to consolidate their operations which are currently located in six different Health Science Centers and Institute of Food and Agricultural Sciences facilities, as well as a small one story administrative building. The core laboratory facilities offered by the ICBR will be utilized by the research programs conducted in the Genetics and Cancer Research, as well as by other campus wide entities. The total proposed project cost of the ICBR facility is \$6,500,000.

The two components of the project will be located in the same building and constructed concurrently to reduce the overall project construction cost. The anticipated construction cost of the project is \$83,793,978 to be financed from variable rate, tax-exempt revenue bonds issued by the University of Florida Research Foundation, Inc., in an amount not to exceed \$35,000,000, and PECO and/or Research Foundation funds. Construction will be administered by the University of Florida with the construction phase expected to start November, 2003.

Facility Site Location:

The proposed facility will be located on the northwest corner of the intersection of Mowry Road (which is north of Archer Road – State Highway 24) and North-South Drive, on the University of Florida main campus. The site is currently underdeveloped and will provide the ready access that is desired by interdisciplinary research programs that draw resources from many areas of the University and the State. Development of the facility will also achieve a goal of the University of Florida Master Plan to create a gateway image to what is the major southern entrance to the main campus.

Physical Description:

The multi-level facility with Gothic Architecture and Gainesville Red Brick will include: (1) The Genetics Institute and Cancer Research Center programmed to be 258,738 gross square feet and 149,282 net assignable square feet, to accommodate the research, training and administrative operations of the University of Florida Genetics Institute and Cancer Research Center, and (2) the Interdisciplinary Center for Biotechnology Research (ICBR), programmed to be 24,468 gross square feet and 16,523 net assignable square feet, and will allow the ICBR to consolidate operations which are currently located in six different Health Science Centers and Institute of Food and Agricultural Sciences facilities, as well as a small one story administrative building.

Demand Analysis:

New facilities for the University Genetics Institute are required to provide an arena for the formation of cooperative and synergistic research efforts in genetics originating from University faculty from a wide range of colleges. The research, education, and public service missions of this institute include a number of functions for which there is currently no available space on campus, particularly with regard to the specialized shared resource facilities.

The specialized facilities proposed for this building currently include a rooftop greenhouse for transgenic plant research, a specific pathogen-free animal facility for transgenic mouse and large animal research, a series of special “clean” rooms for genomic analysis including high-throughput sequencing and DNA microarray analysis to name just a few.

The current plan calls for space allotted to a total of 36 faculty members, including both research laboratories and offices. While this would include approximately 24 faculty members for whom some available space is currently assigned on campus, the proximity of this space to the shared facilities and to other investigators is of paramount importance in accomplishing the mission of the Institute.

The University of Florida Shands Cancer Center is dedicated to the conduct of original research into the mechanisms of oncogenesis and normal cell growth, and to facilitating the translation of novel research findings into clinical strategies for therapeutic, diagnostic and/or preventative cancer trials. Patient care is currently provided through Shands HealthCare facilities, including Shands Hospital at the University of Florida, and the

Davis Cancer Center, located just east of the project site. New facilities for research are required to meet the needs of current and future grant funded research. Research is currently being conducted in the College of Medicine research space at the University of Florida Health Science Center but the available laboratory and support facilities are limited to ongoing programs. The center's administration is located on another floor in the adjacent Medical Science Building. Consolidation in new facilities with space for adequate growth will allow the Shands Cancer Center to pursue its mission and create a premier center for cancer research at the University of Florida.

The Interdisciplinary Center for Biotechnology Research laboratory offers a wide array of services to all researchers such as biological computing, DNA sequencing, electron microscopy, glycobiology, hybridoma facility, plant containment, protein chemistry, molecular services and the two environmentally-related labs, genetic analysis and molecular biomarkers. In addition, there are three ICBR affiliate cores, biotechnology mass spectrometry, research histology and biomechanics, and reproductive hormone analysis.

Pledged Revenues:

A general obligation of all of the royalties and licensing fees of the University Research Foundation, Inc. will be utilized. The royalties and licensing fee revenues are identified within the Analysis of Financial Plan. Eighty-nine percent of 2001-2002 royalty income was provided from two sources; 61.4% or \$18.7 million from Trusopt, a drug used to treat glaucoma, and 28.1% or \$8.5 million from Gatorade. While the proposed pledged revenue available for debt service in 2006-2007 is projected to be \$6,614,629, a significant amount of gross revenues are utilized for expenses that can be paid from the grant overhead revenue within the University's Sponsored Research Trust Fund. It is the University's plan, should royalty income be insufficient to cover debt service, to charge certain expenses of the Research Foundation to the UF Sponsored Research Foundation, Inc., thereby making a greater portion of Research Foundation revenues available for debt service.

Debt Service Coverage:

The Research Foundation intends to issue variable rate revenue bonds. Total debt service annually on \$35,000,000 is \$2,024,341.90 when calculated at 4% interest rate for a term of 30 years. The projected debt service coverage for 2006-2007 would be 3.27, based on this interest rate and term. If debt service was due in 2003-2004, the projected debt service would be 1.85.

Summary of Proforma:

The financial proforma reports debt service coverage of 3.27. This coverage assumes continuation of expenses currently charged and issuance of \$35,000,000.

Planned Occupancy

Date:

It is anticipated that the proposed facility will be ready for occupancy May 2006.

**University of Florida Research Foundation
Proposed Revenue Bonds of up to \$35,000,000 for the
University of Florida Genetics and Cancer Research Center
Analysis of Financial Plan**

Sources and Uses of Funds

Genetics and Cancer Research Center

Bond Proceeds	\$ 35,000,000.00
Foundation/Research Funds	24,817,662.00
Federal Funds	7,476,316.00
PECO**	10,000,000.00
Total	\$ 77,293,978.00

Interdisciplinary Center for Biotechnology Research (ICBR)

Federal Funds	\$ 2,000,000.00
Foundation/Research Funds	4,500,000.00
Total	\$ 6,500,000.00

Total Sources and Uses of Funds **\$ 83,793,978.00**

Debt Service Coverage

2006-2007

Revenues:

Licensing Income	\$ 1,659,166.00
Royalty Income	40,034,027.00
Total Licensing & Royalty Income	\$ 41,693,193.00

Overhead from Contracts & Grants	\$ 2,807,819.00
Management Fees	347,701.00
Total Overhead & Management Fees	\$ 3,155,520.00

Investment Income	\$ 3,750,000.00
Reimbursement of Patent & Licensing Costs	1,500,000.00
Total Other Revenue	\$ 5,250,000.00

TOTAL REVENUE **\$ 50,098,713.00**

Expenditures:

Inventor's & University Allocation	\$ 25,779,231.00
Indirect Cost Return to Units	912,541.00
Total Distributions of Revenue to PI's & Univ.	\$ 26,691,772.00

Administrative & Business Office Expenditures	\$ 724,736.00
Office of Technology Licensing Expenditures	2,084,105.00
Computing & Publication Expenditures	357,280.00
University of Florida Strategic Plan	3,000,000.00
UFRF Matching Allocations	2,800,000.00
Internet Support	2,000,000.00
Other Awards	2,826,191.00
Patent & Licensing Costs	3,000,000.00
Total Other Expenditures	\$ 16,792,312.00

TOTAL EXPENDITURES **\$ 43,484,084.00**

Available for Debt Service **\$ 6,614,629.00**

Debt Service (estimated at 4% for 30 years) **\$ 2,024,342.00**

Debt Service Coverage Ratio **3.27**

* The financial analysis is based upon information provided by the University of Florida Research Foundation, Inc.

** PECO funds are not currently available. These funds are the highest UF PECO priority for the next two years. The design of the facility will accommodate the \$10 million PECO funding as an alternate.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE STATE OF FLORIDA APPROVING FINANCING OF THE CONSTRUCTION OF A PORTION OF A GENETICS AND CANCER RESEARCH FACILITY ON THE CAMPUS OF THE UNIVERSITY OF FLORIDA, BY THE UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC. (THE "RESEARCH FOUNDATION"), A UNIVERSITY DIRECT SUPPORT ORGANIZATION; APPROVING THE ISSUANCE BY THE RESEARCH FOUNDATION OF ITS CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2003, IN AN AMOUNT NOT TO EXCEED \$35,000,000 FOR SUCH PURPOSE; AUTHORIZING THE CHAIR, VICE CHAIR AND STAFF TO TAKE FURTHER ACTIONS CONSISTENT WITH THE RESOLUTION; AND PROVIDING AN EFFECTIVE DATE.

The duly acting and appointed Board of Governors (the "Board of Governors") of the State of Florida (the "State") at a meeting duly held pursuant to notice and a quorum being present, do hereby make the following resolutions:

BE IT RESOLVED:

1. Findings. The Board of Governors hereby finds as follows:

(A) The Florida Board of Education (the "Florida Board") was created pursuant to Chapter 229, Florida Statutes, and was responsible for the operation, regulation, and control of the eleven public universities (the "University System"); however, on January 7, 2003, Chapter 229, Florida Statutes was repealed and the Florida Board ceased to exist.

(B) On January 7, 2003, the State Board of Education (the "State Board") was reconstituted with new members pursuant to Chapter 1000, Florida Statutes, and established to manage the public educational system of the State of Florida, K-20 (the "Florida Education System"); however, the voters of the State of Florida passed Amendment 11, Article IX, Section 7 of the Florida Constitution thereby creating the Board of Governors and vesting it with the power to operate, regulate, control and manage the University System portion of the Florida Education System.

(C) The Legislature of the State has approved the Project (as hereinafter defined) in the General Appropriations Act and Summary Statement of Intent for Fiscal Year 2002-2003, Chapter 2002-394, Laws of Florida.

(D) The University of Florida Research Foundation, Inc., a Florida not for profit corporation (the "Research Foundation"), provides direct support to the University of Florida (the

“University”) and is certified by The University of Florida Board of Trustees (the “University Board”) as a "University Direct Support Organization" as defined in Florida Statutes, Section 1004.28.

(E) The Research Foundation proposes to issue its Capital Improvement Revenue Bonds, Series 2003 in an amount not to exceed \$35,000,000 (the “Series 2003 Bonds”) payable solely from and secured by a pledge of the net revenues of the Research Foundation (the “Net Revenues”). The proceeds of the Series 2003 Bonds will be used to finance or reimburse all or a portion of the capital expenditures paid or to be paid by the Research Foundation for: (i) the construction of a portion of an approximately 285,000 square foot genetics and cancer research facility (the “Project”), (ii) capitalized interest, and (iii) certain costs of issuance of the Series 2003 Bonds.

(F) The Board of Governors declares that (i) the construction of the Project will serve a public purpose by providing research facilities at the University and (ii) in order to finance such Project it is necessary to issue the proposed Series 2003 Bonds.

2. Approval of the Project. The Board of Governors hereby approves construction of the Project by the Research Foundation for use by the University.

3. Approval of Series 2003 Bonds. The Board of Governors hereby approves issuance of the Series 2003 Bonds by the Research Foundation for the purposes described herein, in an amount not to exceed \$35,000,000, said Series 2003 Bonds to have a final maturity not to exceed thirty (30) years from the date thereof and at an interest rate or rates acceptable to the Research Foundation. This approval is subject to the understanding that the Series 2003 Bonds do not create any obligation, direct or contingent, on the part of the University, the University Board, the Board of Governors, the State of Florida, or any political subdivision, department or agency thereof, to pay any part of the principal or purchase price of, premium, if any, or interest on the Series 2003 Bonds, or to levy ad valorem taxation or any other form of taxation to repay the same, but rather such Series 2003 Bonds shall be payable solely from the Net Revenues pledged therefor and the Series 2003 Bonds shall be used exclusively to finance the cost of the Project and certain related costs.

4. Repealing Clause. All resolutions of the Board of Governors, or parts thereof, in conflict with the provisions herein contained, to the extent they conflict herewith, are, to the extent of such conflict, hereby superseded and repealed.

5. Authorization of Further Actions Consistent Herewith. The members of the Board of Governors, attorneys, or other agents or employees of the Board of Governors are hereby authorized and directed to do all acts and things required of them by this resolution or desirable or consistent with the requirements hereof, to assure the full, punctual and complete performance of all the terms, covenants and agreements contained in the Series 2003 Bonds and this resolution including execution of such documents, certificates, contracts and legal opinions and other material delivered in connection with construction, sale or leasing of the Project for use by the University,

the issuance of the Series 2003 Bonds or as necessary to preserve the tax-exemption thereon, in such form and content as the Chair, Vice Chair or authorized officers executing the same deem necessary, desirable or appropriate.

6. **Effective Date.** This resolution shall become effective immediately upon passage.

CERTIFICATE OF THE CORPORATE SECRETARY

The undersigned, Corporate Secretary of the Board of Governors, does hereby certify that the attached resolution relating to the issuance of Series 2003 Bonds by the University of Florida Research Foundation, Inc. is a true and accurate copy as adopted by the Board of Governors on _____, 2003.

**BOARD OF GOVERNORS
OF THE STATE OF FLORIDA**

By: _____
Corporate Secretary

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